

STATEMENT OF

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BEFORE THE

Committee on Banking, Housing and Urban Affairs

United States Senate

ON

The Accuracy of Credit Report Information and the Fair Credit Reporting Act

July 10, 2003

Chairman Shelby, Senator Sarbanes and members of the Committee, thank you for this opportunity to appear before the Committee on Banking, Housing and Urban Affairs. For the record, I am Stuart Pratt, president and CEO for the Consumer Data Industry Association.

CDIA, as we are commonly known, is an international trade association representing approximately 500 consumer information companies that are the nation's leading institutions in credit and mortgage reporting services, fraud prevention and risk management technologies, tenant and employment screening services, check fraud prevention and verification products, and collection services.

We commend you for holding this hearing on accuracy and the credit reporting system. As our members often state in testimony, accurate reporting is how they compete in the marketplace. The accuracy of reports is elementary to the success our country has had in evolving the most robust credit economy in the world; one that extends to more consumers today than ever before. In fact, the credit reporting system and, in particular, the national uniform standards created in 1996 ensure that consumers enjoy \$30 billion in additional disposable income per year due to increased competition.¹

When the Fair Credit Reporting Act (15 U.S.C. Sec. 1681 *et seq.*) was first enacted, the authors addressed the accuracy issue head on. The law requires that a consumer reporting agency maintain "...reasonable procedures to assure maximum possible accuracy of the information

¹ Turner, Michael, et al., *The Fair Credit Reporting Act: Access, Efficiency & Opportunity, The Economic Importance of Fair Credit Reauthorization*; Information Policy Institute, July 2003, page 5.

2

concerning the individual about whom the report relates." In 1996, the Congress took the step of enacting an entirely new provision of law that imposed a standard of accuracy on those who furnish information. The FCRA's original authors had the foresight to create a law that also anticipated that an error could occur in a system of any size or scale. Thus, they created a series of duties for consumer reporting agencies, and users of consumer reports, to ensure that consumers are notified when a report is used to make a decision adverse to their interests, and they also ensured that consumers enjoy an unfettered right of access to their file. Perhaps most importantly, they ensured that consumers can dispute the completeness or accuracy of any item of information on their file.

Accuracy – Putting the term into context.

We all know what we mean by the term "accuracy." But when we apply this term to an industry that sells two billion consumer reports per year and, in fact, which loads two billion updates of information per month, there's some context that can help us in our discussion. Consider the following points about the term "accuracy."

Accuracy and Voluntary Reporting: Fundamental to understanding the flow of information to consumer reporting agencies from more than 30,000 data furnishers is the fact that these data are provided voluntarily. Thus, there is always a careful balance that has to be maintained in order to ensure that the law creates appropriate duties for ensuring accuracy and, alternatively, does not create a legal regime that imposes a strong disincentive to report at all.

Accuracy, Consumer Reporting Agencies and the Law: The CDIA's members are governed under the Fair Credit Reporting Act (15 U.S.C. Sec. 1681, et seq.), which establishes a duty that any consumer reporting agency must employ reasonable procedures to ensure the maximum possible accuracy of the information contained in the consumer report produced on a given consumer at a given point in time. Simply put, the law requires that the information contained in the report must be accurate as of the date reported. The Federal Trade Commission's own commentary on the FCRA provides the following comment:

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² 15 U.S.C. Sec. 1681e(b)

³ PL 104-208

"General: The section does not require error free consumer reports. If a consumer reporting agency accurately transcribes, stores and communicates consumer information received from a source that it reasonably believes to be reputable and which is credible on its face, the agency does not violate this section simply by reporting an item of information that turns out to be inaccurate. However, when a consumer reporting agency learns or should reasonably be aware of errors in its reports that may indicate systematic problems (by virtue of information from consumers, report users, from periodic review of its reporting system, or otherwise) it can review its procedures for assuring accuracy."

Accuracy, Data Furnishers and the Law: In 1996, the FCRA was materially amended. Perhaps the most significant change was the addition of Section 623, which imposed for the first time an express duty on data furnishers to report accurate data to the consumer reporting agencies. In taking this step, the Congress acknowledged that consumer reporting agencies, on their own, could not fully ensure the accuracy of information absent the partnership with the data furnishers that voluntarily provide information to the databases of consumer reporting agencies.

Accuracy and the Absence of Information in All Files: Some have posited that consumer reports are inaccurate when there is data missing from the file. CDIA disagrees with this characterization. There is no doubt that almost a perfect majority of the nation's largest lenders report voluntarily to all of the nationwide consumer reporting agencies which produce what are commonly called "credit reports". However, there are some smaller data furnishers which may choose to report only to one system. Some variance in product will always be evident in a competitive marketplace. While there are modest variances between nationwide consumer reporting agencies' databases, they all compete based on file quality and content and, thus, all are constantly seeking to ensure that their reports are complete and fully representative of the consumer about whom the report relates.

Note that credit repair can have a deleterious effect on the completeness of a consumer's credit report and, thus, where third-party file comparisons identify absences of data between files, this is in part attributable to credit repair. One of our members testified that more than 30 percent of all consumer disputes were generated by credit repair agencies, which commonly dispute accurate, derogatory information with the sole intention of having that information deleted from the file. In 1996, the Congress recognized the seriousness of the credit repair problems and enacted the Credit Services Organizations Act (PL 90-321, 82 Stat.164). That law prohibits the following with regard to credit repair activities and there is a continued need for even greater enforcement resources in order to ensure the effectiveness of the Act:

SEC. 404. PROHIBITED PRACTICES. (7)

- (a) In General. -- No person may--
- (1) make any statement, or counsel or advise any consumer to make any statement, which is untrue or misleading (or which, upon the exercise of reasonable care, should be known by the credit repair organization, officer, employee, agent, or other person to be untrue or misleading) with respect to any consumer's credit worthiness, credit standing, or

credit capacity to--

(A) any consumer reporting agency (as defined in section 603(f) of this Act);

Accuracy and Data Furnishing/Data Reporting Timing Issues: Some have reviewed reports about the same consumer obtained from more than one nationwide consumer credit reporting system and have suggested that differences in the status of a particular account (e.g., 30- v. 60-days delinquent) is an inaccuracy. In fact, the data is commonly accurate as of the date reported. There are a number of reasons for differences in the status of the same account on different "credit reports" produced by different credit reporting systems. For example, if a lender's data center is on the west coast and it ships tapes of accounts receivable information to each nationwide credit reporting system, then the tapes may arrive on different days. The result is one of the nationwide systems may receive and load its update of a particular account sooner than the others. Thus, the status of a particular account is shown as sixty days delinquent on one system as of June 1, and on another the same account may, until the update is loaded, display the same account as thirty days delinquent (pending the update to sixty days as of June 1). Another reason may be that a data furnisher produced an incorrect set of data for one of the three systems and, via the credit reporting system's audit controls, this tape is sent back to the data furnisher for reprocessing and correction. Tapes are also, though infrequently, damaged in transit and have to be sent back to a data furnisher for reprocessing.

Accuracy and the Consumer – Perceptions and Realities: In assisting us with our responses to the GAO inquiry, one of our members observed that items in a consumer's credit file may be accurate, but not in sync with the consumer's perspective. Consumers have a tendency to "dispute" such items that are not in sync with their perspective, even when the data is accurate. Below are a few examples⁴:

- (1)Maiden name A married woman obtains a copy of her file and sees that her married name is not on file. She calls to dispute this and the representative asks her if she has applied for any credit in her married name. She replies in the negative and offers that she and her husband are now starting to apply for joint credit accounts. She is advised that information in her file is reported to us by the credit grantors with whom that she holds accounts. Since she does not have any credit accounts in her married name, we would have no way of knowing that she has changed her name unless she reported this directly to us.
- (2) A consumer sees an old, dormant account on his file and indicates that he had long ago instructed the credit grantor to close the account. He might have confused that request with a similar request to another credit grantor. Or maybe he might have instructed the credit grantor to close the account and they never did. The point is that the information on file is accurate, because it is still an open account.
- (3) A consumer sees an account with General Electric Consumer Credit (GECC) on his file and indicates that he never did business with GECC before. However, the account in question was

⁴ These examples are drawn from the industry experts who lead consumer relations/assistance units for the nation's largest consumer reporting agencies which maintain files on the majority of credit-active consumers.

with a retailer who subsequently outsourced their lending to GECC and the consumer never knew of that relationship or isn't aware that some retailers outsource their lending. In this case, the consumer will be adamant that the account is incorrect, but, in fact, it is accurate. Once they are made aware of the retailer's name (i.e. Home Depot for example), they acknowledge they do have a Home Depot account. The file was accurate.

- (4) A consumer sees a previous address listed as the current address and vice versa. He cannot understand how the credit bureau could make that mistake. However, the consumer had failed to notify some of his credit grantors about the previous move, so some credit grantors are still reporting the old address as current. This hasn't been an issue for the consumer because the mail from those credit grantors is getting forwarded or the account is so inactive the credit grantors do not need to send them a billing statement very often.
- (5) A consumer sees his or her name listed with an unrecognizable combination of personal initials they don't remember using. The consumer's inclination is to believe the credit bureau is responsible for this. However, the fact is that our members' systems are incapable of making up a name. That particular name has transmitted it to us by the credit grantor. Either the consumer previously used that name with a credit grantor in the past or the credit grantor transmitted the erroneous name.
- (6) Consumers also often find that employment data is not current on their file disclosures. This is due to the fact that many lenders do not report employment data any longer. Nonetheless, the FCRA requires that a consumer reporting agency disclose "all information in the file at the time of the request" and this includes dated employment data.

The previous examples have no bearing on the lender's risk decision. Yet, the consumer has questions about this data and regards these as "errors" by the credit reporting agency.

Accuracy and Divorce: One very significant challenge for CDIA's members is the problem lenders and consumer reporting agencies have with how credit obligations are handled incorrectly by divorce courts. A divorce decree does not supersede an original contract with a creditor and does not release a consumer from his or her legal responsibility on those accounts entered into jointly with the former spouse.

A consumer will see an item on his or her report and call to dispute the accuracy of it because they feel the divorce court adjudicated it. Despite the explanation that the debt is still owed, the consumer will argue that his or her lawyer did not advise them at the time of her divorce that this would be the case. We explain to the consumer that it is ultimately his or her responsibility to contact creditors and seek a binding legal release of the debt obligations that have been incurred.

Accuracy and Expectations of Immediacy: Another very significant challenge is the perception by consumers that their credit reports should and can be updated nearly instantaneously. For example, consumers may review their credit reports and while data is accurate as of the date reported, they believe that recent payments should already be reflected showing a lower outstanding balance. A majority of data in the nationwide credit reporting systems is updated on a thirty-day cycle and this timing correlates with the thirty-day billing cycles for many types of

contractually prescribed credit payments to creditors. CDIA believes that a great many disputes are being driven by a desire to update information, which is otherwise accurate.

Accuracy and Misunderstandings About the Law: Often enough our members report that consumers believe that when an account is delinquent and subsequently paid, that any negative information about the missed payments will be expunged from the record. Similarly, consumers often believe that an item placed for collection should be expunged once paid. In fact the law recognized that it is important for creditors to know when the account was paid and to also maintain a history of the timeliness of past payments for purposes of safety and soundness. Thus, the law permits adverse information to remain on the file, but for no more than seven years.

We strongly believe that the context we have just provided is essential even as we try to review "hard" data that quantifies the accuracy of the credit reporting system. Anecdotes can be based on problems that are real and in some cases are driven by perceptions or misconceptions about how the system does or should work and even how other laws work. Finally, before we move to a review of sets of data, we caution against making the term "accuracy" synonymous with "consequential." Some inaccuracies are inconsequential to the consumer, such as a missing middle initial, and some inaccuracies may be very consequential, such as an account on a consumer's file which isn't his or hers.

Accuracy – What data is available regarding reviews of files?

CDIA's members have, in working with the General Accounting Office and in preparation for our testimony, developed or identified constructive sets of data that help us try and understand accuracy both from the perspective of the consumer's experience and also from the viewpoint of the marketplace, itself.

Let me restate a key statistic that provides context for some of the data to follow. CDIA's members estimate that there are no less than two billion consumer credit reports sold annually in

this country. Keep in mind that as these reports are being used to make decisions, every consumer who is the recipient of an adverse action notice can order his or her file disclosure and then exercise all other rights under the law that apply, including the right to dispute and have information corrected. Today, our members are issuing 16 million disclosures to consumers or eight tenths (0.8%) of one percent of the two billion files sold. To better understand who these 16 million consumers really are, the following chart shows us the breakdown of which consumers ordered their files for which reasons:

Average percentage of all file disclosures	84%
provided due to adverse action.	
Average percentage of all file disclosures	11.5%
provided due to fraud claim.	
Average percentage of all file disclosures	5.25%
provided due to curiosity.	
Average percentage of file disclosures	.4 %
provided due to a consumer being unemployed	
and seeking employment.	
Average percentage of file disclosures	.1%
provided due to a consumer being on public	
assistance.	

Think of it this way; 16 million consumers are reviewing their files each year. Equally important, two billion consumer reports are being evaluated by lenders, whose ultimate goal is to ensure that consumers can:

- drive off the car lot with a new car.
- can move into a new home.
- can get the college loans for their children.
- enjoy the widest range of loan products likely offered in any country in the world.

In fact today, consumers today are enjoying some of the best mortgage interest rates ever and they can be assured of continued access to an extraordinarily competitive mortgage-lending marketplace through the reauthorization of the uniform national standards under FCRA. A national consumer credit reporting system which serves as the information infrastructure for our secondary markets can, reduce the average consumer's interest rate by two full percentage points.⁵

Consumers by the millions review their files every year.

Logically we should try to better understand what a review of their file meant to these 16 million consumers⁶ who request their files each year. Preliminary findings estimate that less than fifty percent of consumers who receive their file, which contains a toll-free number with access to live personnel, ever contact our members again. In fact, consider the following subpopulations of consumers and the rates of contact to further illustrate this point. In these two subpopulations of consumers who received their files, the reason was not associated with an adverse action notice.

Data Set 1 – Consumers Who Suspect Fraud

CDIA members have been proactive in providing a range of fraud assistance services to consumers who suspect they have or may become a victim of fraud. These consumers order their files and are provided with toll free numbers by which to contact live personnel. In this set of data, you'll find that the rate of <u>contact</u> relative to the number of files issued is quite low and we think this is significant since it is quite likely that a consumer who is worried about fraud is more likely to scrutinize a file with the clichéd "fine tooth comb" and, hence, more likely to find data about which they need further clarification or which should be disputed. Annualize these data and you have 1.2 million consumers reviewing their files with a right to dispute any information and any time. Out of this 1.2 million about 120,000 take the time to call back on the toll-free lines.

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⁵ Kitchenman, Walter, U.S. Credit Reporting: Perceived Benefits Outweigh Privacy Concerns, The Tower Group, 1998, pages 7-8.

⁶ Note that the number of consumers could be less than 16 million since some consumers may order more than one file in a year and the 16 million is a count of the aggregate number of disclosures issued by all of the nationwide consumer credit reporting systems.

Average number of disclosures due to fraud per	100,000
month.	
Average number of contacts per month from this	10,000 (10%)
same population. ⁷ A contact cannot be equated with	
a dispute or follow up question concerning any	
number of issues.	

Data Set 2 – Consumers Who Reviewed Files Due to Notices About File Activity

In this set of data, gathered over a twenty-four-month period, consumers received a notice that their files had one of two events occur in the previous twelve-month period: (1) a certain level inquiry activity; or (2) additional adverse information reported. Here the consumer was given a reason for ordering a file and after a review only 9000 consumers out of the 180,000 ever called back with a question.

Average number of files issued per year.	180,000
Average number of contacts relative to this	9,000 (5%)
population. A contact can be a dispute or	
follow up question concerning any number	
of issues.	

These two sets of data are directly responsive to the various reports issued over the years by the U.S.Public Interest Research Group and others about the accuracy of credit reports. These reports studied small populations of files also using US Pirg employees as the "reviewers". Some of these reports used as few as 50 consumers. Contrast this with the data showing hundreds of thousands of consumers order their files and between 90% and 95% appear to have had no problem with their files whatsoever.

CDIA also took a look at how the marketplace responds to accuracy of files. This particular set of data is important because it is reflective of the two billion reports sold annually by the nation's largest credit reporting systems. It is through this set of data that we can now begin to understand one potential "driver" for consumers who review their files and do have a dispute.

That is the desire to update accurate information as of the date reported, but which the consumer wishes could be even more current due, perhaps, to a very recent payment made to a particular lender. As discussed earlier in our testimony, the consumer's desire to have information updated immediately is real, though an update of accurate information is not a reflection of inaccuracies in the files of consumers. Rather it is a reflection of the needs, in particular, of the mortgage lending community.

Data Set 3 – Review of Mortgage Reports

CDIA worked with members to develop a sample set of data that is derived from the marketplace and not based solely on a consumer's review of the file, as is the case with the first two data sets above. We picked the mortgage lending process since this is a lending decision which still involves a good deal of contact between the consumer, the lending institution or mortgage broker, and the specialized CDIA members which produce mortgage reports.

Mortgage reports most commonly include data from all three of the nationwide credit reporting systems. CDIA's mortgage reporting members provide a range of services to mortgage lenders, including re-verifying information that may be accurate as of the date reported, but which needs to be updated to a more current status, or adding additional information that was not present in any of the three reports ordered from the nationwide credit reporting systems. Clearly CDIA's reseller members provide valuable services for the mortgage lending community and for consumers.

These data were gathered over a two-week period and, while some files were updated by the mortgage reporting services to a more current status, via direct contact with the providers of information, only one percent (1%) of the files have an error. Further, it is not clear from this review that the one percent of files that did contain an error, contained one that was consequential to the lending decision.

Size of Sample	189 Three-File Merged Reports Reviewed ⁸
Number of reports that were accurate based on	61 (32%)9
direct contact with the original provider of the	
information, but which needed an update of	

⁷ Note that rate of dispute was not tracked but the rate of contact was. Thus, 100,000 consumers reviewed their files and only ten percent ever decided to even make an additional phone call.

⁸ Note that 189 three-file merged reports equates to 567 individual reports from the three nationwide consumer credit reporting systems.

⁹ Several of our members indicated that updates of accurate information may include the need to show a new balance due to a recent payment made by the consumer, or adding data which is missing from the file according to the consumer.

some information due to the need to show a	
new account status, or where additional	
information was added to the file which was	
not present in any of the three reports produced	
by the nationwide credit reporting systems.	
Number of reports with an identified	2 (1%)
inaccuracy based on direct contact with the	
original provider of the information in the	
report.	

Accuracy - Can we learn more from the nature of disputes, themselves?

Now let's step back to the larger population of consumers who order and review their files to try to understand the reasons for which they may contact a consumer reporting agency and also the nature of the disputes they submit. At the macro level, out of 16 million file disclosures¹⁰ issued to consumers every year, preliminary data indicates that likely just over 8 million consumers review their files and, though they have access to toll-free numbers and live personnel, they do not call back at all.

For those who do call back, many call in with questions and not necessarily disputes. Some of our members estimate that in a given month, what might be described as educational calls where a dispute has not been submitted can comprise as much as fifty percent (50%) of all contacts in any given month. As described above in our testimony, consumers' perceptions about how a divorce decree should work or when a payment should be reported to the consumer reporting agency can drive phone calls that ultimately don't end up in a dispute of any sort being submitted.

12

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¹⁰ Out of the two billion consumer reports sold each year, eight tenths of one percent (.8%) ever order their file.

When it comes to the term "dispute" we believe we need to frame up some guiding thoughts on the difference between a dispute about a true inaccuracy and a dispute which is really associated with updating a file which has accurate information as of the date reported. The acknowledged difficulty of measuring "accuracy" via dispute rates is illustrated by the many reasons we've already discussed for which consumers may request changes in their files where the information was, in fact, accurate as of the date reported, or where they don't recall having opened an account, or where they misunderstand the law. Below for the sake of brevity are just some of the examples of disputes of accurate information as previously discussed:

- An item that is accurate as of the date reported and the consumer is actually seeking to update information between the regular reporting cycle of thirty days
- An item that is disputed as a result of credit repair activity wherein the credit repair agency might be disputing all accurate but negative information in the file with the goal of having some or all of the information deleted.
- An account that a consumer doesn't recognize because it has been inactive for an
 extended period of years, or because the name of the owner of the account is
 different than the retailer with whom the consumer did business.
- o An item which is accurate, but which conflicts with a divorce decree, wrongly abrogating a consumer's obligation to pay.

Data Set 4 – Industry-Wide Disclosures to Consumers and Dispute Responses to Disputes Submitted

The following are industry-wide data from CDIA's nationwide consumer credit reporting system members. CDIA believes several points are necessary to put the following data in a reasonable context:

- 1. A dispute does not equate to an acknowledgement of inaccuracy as previously stated.
- 2. The percentage indicated below cannot be used to infer an estimated rate of inaccuracies in files since many disputes are not related to inaccuracy per se, but rather to a desire to "update" information outside of the regular cycle of thirty days used by most data furnishers.
- 3. The data below be used to determine the consequence of a particular dispute relative to the consumer's estimated risk. A valid dispute about an item of information such as a consumer's middle initial will result in a change to the consumer's file, but won't have any bearing on credit risk.

Type of Result Based on Dispute Submitted ¹¹	Percentage ¹²
Information verified as reported.	46%
Data modified per data furnisher's	27%
instructions. Note that data may have	
been modified due to an update of	
information rather than a dispute about	
the accuracy of the data as of the date	
reported.	
Data deleted per data furnisher's	10.5%
direction.	
Data deleted due to expiration of the	16%
thirty-day period and no response	
received from the data furnisher. It	
cannot be determined whether the data	
was accurate as of the date reported or	
not.	

To provide context for the results of the disputes in the chart above, and to lay out a better understanding of the nature of disputes and to identify which disputes are most common we gathered the following data. Consistent with our discussion above and particularly our points about expectations for immediacy, confusion with regard to divorce and those focused on various consumer perceptions, it is not useful to consider all disputes as being associated with an inaccuracy. Following are the top disputes that our members receive and which reflect the preponderance of all disputes submitted. This listing is not in perfect rank order since there are variances in the dispute patterns between companies:

Dispute	Estimated Rank
"Not his or her account."	1
"Disputes any of the following items: Present or previous	2/3

¹¹ Our members consistently estimate that the number of disputes submitted by credit repair agencies/clinics is as high as one-third of all disputes submitted. Credit repair agencies, according to the FTC, are notorious for submitting false claims of inaccuracies with the sole intention of deleting accurate information off of credit files.

¹² Note that this percentage does not relate to the total number of file disclosures issued. A majority of file disclosures do not result in any type of dispute.

account status or payment history or payment rating.	
"Disputes the current balance.	3
"Claims account has been closed"	3
"Disputes related to disposition of accounts included in or excluded from bankruptcy or the bankruptcy of another person."	4

It is difficult to draw full conclusions from the data above since only eight-tenths of one percent (0.8%) of all consumer reports sold result in consumers ordering a file disclosure. Preliminary data indicates that of those who do order a file, fully four-tenths of one percent (0.4%) of all files sold result in consumers deciding that no further contact was needed. We have presented other data that shows that where consumers are likely order files for a reason other than adverse action, (see Data Sets 1 and 2) the contact rate is very low with a range of ninety percent (90%) to ninety five percent (95%) not choosing to contact the consumer reporting agency after reviewing the file. Based on these data sets, it is possible to surmise that perhaps consumers who order files due to an adverse action have a higher likelihood of calling, at least to ask a question, which explains why the aggregate rate of contact for all file disclosures is higher. These 8 million consumers also equate to four-tenths of one percent of all files sold (0.4%). You can see by the results of these consumers, who may be submitting disputes, that fully 46% of the disputes come back with the information verified as reported (see Data Set 4). The marketplace data we presented in Data Set 3, where 567 files used for lending decisions were reviewed, one percent of the files contained an inaccuracy.

Accuracy and industry standards.

CDIA's members constantly seek better ways to achieve higher rates of accuracy. The following discussions of the CDIA's data standards project and operation of an automated consumer dispute verification system called E-OSCAR-webTM is provided below. Both of these projects are specific to the operations of nationwide credit reporting systems. Each Association project makes a contribution to accuracy of information.

METRO FORMAT

More than 30,000 data furnishers provide approximately two billion updates of information per month to the nationwide credit reporting systems. No law requires any furnisher of information to provide data to a consumer reporting agency.

A data format standard becomes a very important part of how the industry can ensure greater precision in the reporting of information, particularly with such a wide diversity of data furnishers¹³. If each of these data furnishers can choose how to report data and what data goes into what fields or how to define the status of accounts, then the files of any given consumer are likely to reflect a wide variety of approaches to reporting information making it far more difficult to properly and fairly assess a consumer's risk.

The original Metro format for credit reporting was first developed in the mid 1970s. Over the years, it has gained in popularity and achieved a high level of use in the marketplace. By 1996,

¹³ Examples of data furnishers include credit unions, savings and loans, thrifts, mortgage lenders, credit card issuers, collection agencies, retail installment lenders, auto/finance lenders and more.

16

more than 95% of all data was received by the nationwide credit reporting systems in this Format.

In 1996, the credit reporting industry took advantage of the opportunity afforded by the Year 2000 data processing "bug" to completely reengineer the format for credit reporting. The Metro 2 Format was introduced in 1997 and has been steadily gaining in use by the data furnisher community. At this time, more than half of all accounts are reported in this new Format.

Both the original and the new Metro 2 formats are maintained by an industry committee of volunteers from each of the national credit reporting systems. This group meets on a regular basis to develop industry-wide responses to questions from data furnishers and create new codes or fields as necessary. From time to time, this group will also create and deliver training sessions on the Metro 2 Format for data furnishers that have not yet converted to the new format. Several training sessions are scheduled for 2003.

Typically, data furnishers report data on a regular basis, usually monthly. The industry does encourage those companies that bill their customers in cycles (e.g., every 30 days) to report that data to the consumer reporting agencies in cycles, thus ensuring that the data is not only accurate as of the date reported but is also as current as possible.

The Metro 2 Format documentation is distributed within the industry by the Association. Data furnishers can obtain the document in hard copy or can download it from the CDIA website. For 2003, almost 1,000 copies of the Format have been distributed.

The documentation is quite extensive and granular. For example, for the FCRA Compliance/Date of First Delinquency field, a full page is devoted to a description of each particular circumstance under which this date should be reported. A full definition of the field is provided. Procedures for reporting the field if the account should become current are discussed. In addition, the industry developed three detailed examples showing exactly how to calculate this important date in different situations. We have also provided the exact language of the Fair Credit Reporting Act detailing this requirement for the convenience of customers. This specific example is attached for your review.

The industry also receives and publishes a number of Frequently Asked Questions with Answers. For example, we have been asked questions as precise as "How should the original loan amount, current balance and monthly payments be reported for end-of-lease charges (excess mileage, wear and tear)?" This question, about auto leasing, was received during one of our face-to-face workshops. The industry response provided a great deal of information for the data furnisher.

"There are various Special Comment Codes that can be reported for Leases. See Exhibit 6 (Special Comment Codes by Category Within Portfolio - pages 5-12 through 5-13). For example, if the lease is a full termination with a balance owing, Special Comment "BD" should be reported. If the lease is an early termination with a balance owing, Special Comment "BG" should be reported.

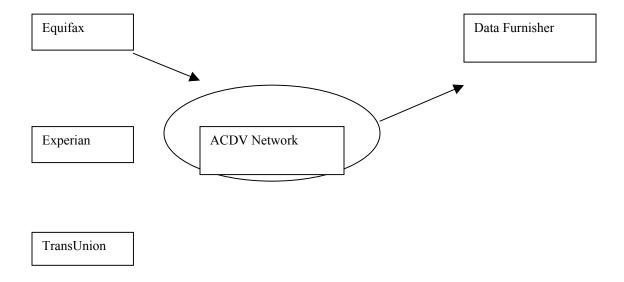
The Original Loan Amount (Field 12) should not be changed. Current Balance (Field 21) should contain the end-of-lease charges for excess mileage and wear and tear. If there is an amount past due, it can be reported in Amount Past Due (Field 22). Scheduled Monthly Payment Amount (Field 15) should contain the dollar amount owed each month if a schedule of payments is arranged. Otherwise, Field 15 should be zero-filled. Actual

Payment Amount (Field 16) should contain the dollar amount of the monthly payment actually received for the reporting period."

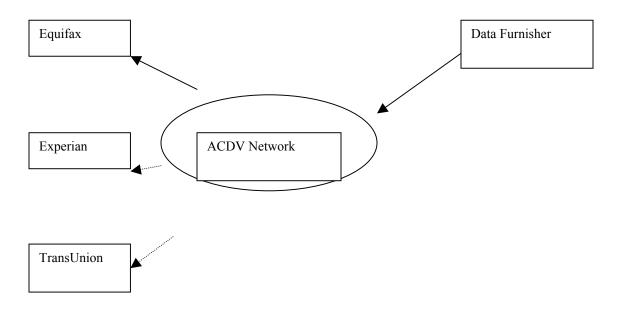
E-OSCAR-webTM

The consumer reporting industry, through the auspices of the industry Association, came together in 1992 to build an Automated Consumer Dispute Verification (ACDV) process. This voluntary industry effort predated the FCRA amendments by a full five years. The network went live in November of 1993 and began growing quickly thereafter. Fully 50% of all consumer disputes sent by the consumer reporting industry to data furnishers were traveling through the ACDV process by 1996. From 1996 through 1998, the industry remained at that 50% market penetration. In 1998, we began a reengineering process to help capture additional users. We also took the opportunity to match up the ACDV process with the new Metro 2 Format. In 2001, we began beta testing the E-OSCAR-web™ network with data furnishers. We successfully went live in the early summer of 2001 and have retired our old network. The new network is secure, encrypted, and available to a larger number of companies because it is browser based. The industry has ambitious plans to encourage all of the data furnishers to migrate to the E-OSCAR network.

The essential process has remained the same since created in 1992, though recent technology innovations should encourage broader use of the system by smaller data furnishers. The consumer reporting agency receiving the dispute sends that dispute to the data furnisher.



The data furnisher researches the dispute, provides an answer and, if changing the account or deleting it, provides a copy of the dispute and the response to each of the consumer reporting agencies to which it reported the data originally.



Conclusions

There are some conclusions or themes that are essential to putting the "accuracy" discussion in context:

- Consumer education will cause greater activity by individuals relative to their credit files. Consumers are learning more about their credit files and about how their credit reports can positively affect their lives. We believe that many consumers who "dispute" an item of information on their files are actually seeking to "update" data in their files, which is accurate as of the date reported. However, they would like to have a more current status reflected (something less than the usual cycle of 30 days for updating data which is the data furnisher norm.)
- More than two billion consumer reports are sold annually. When you put file disclosure rates into the context of the number of files sold, they tell a very valid and good story about the industry's performance. 16 million consumers receive file disclosures, representing eight tenths of one percent (0.8%) of consumer reports sold. Only about half of those consumers ever contact (not necessarily to dispute an item) the consumer reporting agency and this represents a population which is four tenths of one percent (0.4%) of the total files sold in the marketplace. Of the consumers who do contact our members in any given month, our members say that half may have questions but no particular dispute. Of consumers who do dispute information (which can vary per month), 46% of the disputes are reverified accurate as reported by the lender which reported the information.

- Even where disputes are made, not all disputes are equal. Some are consequential and some are not related to risk assessment at all.
- Consumers are a good, but not perfect measure of the accuracy of their own files. CDIA has provided a range of examples of where consumers themselves may be confused about what should or shouldn't be on their files. Divorce, confusion over old accounts or who closed an account are just some of the many catalysts for confusion. Confusion about what is or should be in a file is often defined incorrectly as the presence of inaccuracies.
- A small sample of reports actually used in the mortgage lending context showed that only one percent (1%) had a confirmed inaccuracy. This information is important because it helps show that you cannot measure accuracy purely via dispute rates.

In conclusion, the CDIA's members remain committed to the accuracy of every consumer's file. CDIA's members cannot achieve this on their own and they are dependent in part on the quality of information furnished to them. Our members offer industry standards by which data can be reported and also a very sophisticated network for quickly and efficiently processing that data. We could do an even better job if everyone used our newest data standard and also if every one of the 30,000 furnishers of information would also use the online system for processing consumer disputes. Our members can only work collaboratively to the extent law permits.